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CAPITAL AREA LEGAL SERVICES CORPORATION

FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/25/11

CAPITAL AREA LEGAL SERVICES CORPORATION

TABLE OF CONTENTS

2010 AUDIT

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
COMBINED STATEMENT OF FINANCIAL POSITION	5
COMBINED STATEMENT OF ACTIVITIES	6
COMBINED STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	
STATEMENT OF ACTIVITIES	18
LOUISIANA BAR FOUNDATION – IOLTA PROGRAM	19
LOUISIANA BAR FOUNDATION – CINC PROGRAM	20
ELDERLY PROTECTION SERVICES	21
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	23
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	27
CORRECTIVE ACTION PLAN	

Justin J. Scanlan, C.H.A., F.T.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Capital Area Legal Services Corporation

We have audited the accompanying statement of financial position of Capital Area Legal Services Corporation (non-profit corporations) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2009 financial statements which were audited by other auditors, those auditors expressed an unqualified opinion on those financial statements in their report dated June 11, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Legal Services Corporation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note N to the financial statements, the Corporation incurred a significant loss due to disallowed costs determined by Legal Services Corporation, and has a net deficiency in net assets, that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note N. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2011, on our consideration of Capital Area Legal Services Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements of the Corporation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
March 29, 2011

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

ASSETS		TOTAL MEMORANDUM ONLY DECEMBER 31, 2009
CURRENT ASSETS		
Cash	\$ 108,760	\$ 114,227
Cash in escrow-client deposits (Note A7)	67,405	73,541
Receivables (Notes A4 and B)		
Grants and contracts	24,205	17,960
Other	<u>7,397</u>	<u>-</u>
	31,602	17,960
Prepaid expenses	<u>28,006</u>	<u>23,053</u>
Total current assets	235,773	228,781
PROPERTY		
Property, building and equipment-at cost (Notes A5 and C)	473,431	490,622
OTHER ASSETS		
Deposits	<u>1,863</u>	<u>363</u>
Total assets	<u>\$ 711,067</u>	<u>\$ 719,766</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable – current portion	\$ 111,368	\$ 67,147
Accounts payable	504,689	24,936
Accrued taxes and expenses (Note D)	66,771	45,472
Client court costs advanced	67,405	73,541
Deferred revenue	<u>-</u>	<u>96,648</u>
Total current liabilities	750,233	307,744
LONG-TERM OBLIGATIONS		
Notes payable (Note E)	<u>290,005</u>	<u>302,979</u>
Total current liabilities	1,040,238	610,723
COMMITMENTS AND CONTINGENCIES (NOTE F)		
	-	-
NET ASSETS <DEFICIENCY>		
Unrestricted	< 482,795>	-
Temporarily restricted (Note G)	<u>153,624</u>	<u>109,043</u>
Total net assets <deficiency>	<u>< 329,171></u>	<u>109,043</u>
Total liabilities and net assets	<u>\$ 711,067</u>	<u>\$ 719,766</u>

The accompanying notes are an integral part of this financial statement.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

**TOTAL
MEMORANDUM ONLY**
For the year ended
December 31, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
REVENUE				
Grants and contracts	\$ -	\$ 2,589,338	\$ 2,589,338	\$ 2,325,188
Contributions	4,544	-	4,544	3,560
Fees	35,861	-	35,861	38,445
Other revenue	13,931	5,005	18,936	9,203
Net assets released from restrictions	<u>2,549,762</u>	<u>< 2,549,762 ></u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,604,098</u>	<u>44,581</u>	<u>2,648,679</u>	<u>2,376,396</u>
EXPENSES				
Personnel:				
Salaries – lawyers	767,508	-	767,508	571,906
Salaries – non-lawyers	732,898	-	732,898	617,634
Fringe benefits	<u>242,834</u>	<u>-</u>	<u>242,834</u>	<u>234,916</u>
Total personnel expenses	1,743,240	-	1,743,240	1,424,456
Contract services	268,929	-	268,929	186,870
Travel and training	115,358	-	115,358	104,064
Space costs	169,548	-	169,548	120,287
Supplies	59,890	-	59,890	97,308
Equipment	60,525	-	60,525	94,902
Telephone	60,067	-	60,067	54,549
Insurance	33,169	-	33,169	28,225
Interest	32,082	-	32,082	33,174
Depreciation	19,419	-	19,419	20,043
Litigation	2,955	-	2,955	5,556
Other (Note N)	<u>521,711</u>	<u>-</u>	<u>521,711</u>	<u>31,092</u>
Total expenses	<u>3,086,893</u>	<u>-</u>	<u>3,086,893</u>	<u>2,200,526</u>
Increase <decrease> in net assets	< 482,795 >	44,581	< 438,214 >	175,870
Net assets, beginning of year	<u>-</u>	<u>109,043</u>	<u>109,043</u>	<u>< 66,827 ></u>
Net assets, end of year	<u>\$ < 482,795 ></u>	<u>\$ 153,624</u>	<u>\$ < 329,171 ></u>	<u>\$ 109,043</u>

The accompanying notes are an integral part of this financial statement.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

TOTAL MEMORANDUM ONLY December 31, 2009

Increase <decrease> in cash and cash equivalents

Cash flows from operating activities:

Increase <decrease> in net assets	\$ < 438,214>	\$ 175,870
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Adjustments to reconcile increase <decrease> in net
assets to net assets provided by <used in>
operating activities:

Depreciation	19,419	20,043
--------------	--------	--------

Changes in assets and liabilities:

<Increase> decrease in client deposits	6,136	927
<Increase> decrease in grants and contracts receivable	< 6,245>	27,742
<Increase> decrease in other receivables	< 7,397>	-
<Increase> decrease in prepaid expenses	< 4,953>	202
<Increase> decrease in deposits	< 1,500>	30
Increase <decrease> in accounts payable	479,753	10,734
Increase <decrease> in accrued liabilities	21,299	< 4,590>
Increase <decrease> in client court costs advanced	< 6,136>	3,196
Increase <decrease> in deferred revenue	< 96,648>	< 60,423>
Net cash provided by <used in> operating activities	<u>< 34,486></u>	<u>173,731</u>

Cash flows from investing activities:

Acquisition	< 2,228>	< 26,439>
Net cash provided by <used in> investing activities	<u>< 2,228></u>	<u>< 26,439></u>

Cash flows from financing activities:

Proceeds from notes payable	75,000	-
Principal payments on notes payable	< 43,753>	< 95,088>
Net cash provided by <used in> financing activities	<u>31,247</u>	<u>< 95,088></u>

Net increase <decrease> in cash and cash equivalents	< 5,467>	52,204
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Cash and cash equivalents, beginning of year	<u>114,227</u>	<u>62,023</u>
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Cash and cash equivalents, end of year	<u>\$ 108,760</u>	<u>\$ 114,227</u>
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Cash flow information

Interest paid	<u>\$ 32,082</u>	<u>\$ 30,448</u>
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The accompanying notes are an integral part of this financial statement.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Capital Area Legal Services Corporation is a nonprofit corporation created in 1958, previously known as the Legal Aid Society; in 1974 the name was changed to Capital Area Legal Services Corporation. The purpose of the corporation is to provide legal assistance in non-criminal proceedings or matters to persons financially unable to afford such counsel in a twelve parish area: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberville, LaFourche, Pointe Coupee, St. James, St. John the Baptist, Terrebonne, and West Feliciana Parishes. Capital Area Legal Services Corporation is principally funded through grants from Legal Services Corporation, a nonprofit corporation established by Congress to administer a nationwide legal assistance program. Legal Services Corporation's funding constituted 61% of the total funding for the corporation.

2. Presentation of Financial Statements

The financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, Presentation of Financial Statements. Accordingly, the net assets of the corporations are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

The net assets and changes therein are classified as follows:

Unrestricted Net Assets - Contributions and other revenue and expenses for the general operation of its programs.

Temporarily Restricted Net Assets – Contributions and other revenues specifically authorized by the donor or grantor to be used for specific purposes.

Permanently Restricted Net Assets – Contributions subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Corporation pursuant to those stipulations. There are no permanently restricted net assets.

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Revenue Recognition

Capital Area Legal Services Corporation recognizes annualized grant funds from Legal Services Corporation as support on a straight-line basis over the grant period. Funds remaining unexpended at the end of an accounting period are recorded as temporarily restricted net assets. Subject to the provisions of Legal Services Corporation's Fund Balance Regulations, Capital Area Legal Services Corporation may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the Legal Services grant as defined. Legal Services Corporation may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by Capital Area Legal Services Corporation with the terms of the grant. In addition, if Capital Area Legal Services Corporation terminates its Legal Services grant activities, all unexpended funds are to be returned to Legal Service Corporation.

Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions". Revenues other than Legal Services Corporation grant revenue are recognized as earned in accordance with approved contracts.

4. Receivables

The corporation considers accounts receivable to be fully collectible, since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

5. Property, building and equipment

Property, building and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

Property and equipment acquired with Legal Services Corporation funds are considered to be owned by Capital Area Legal Services Corporation while used in the program or future authorized programs. However, Legal Services Corporation has a reversionary interest in those assets and has a right to determine the use of any proceeds from the sale of assets purchased with its funds. Therefore, property and equipment is reported as temporarily restricted support.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$1,000. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the Statement of Activities. Depreciation expense for the year ended December 31, 2010 totaled \$19,419.

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash equivalents

The Corporation considers demand deposits and short-term investments with an original maturity of three months or less to be cash equivalents.

7. Client trust escrow funds

Funds received from clients are deposited in a separate cash account and restricted for the payment of expenses in connection with related litigation.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

9. Fair Values of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

10. Functional Allocation of Expenses

The expenses of providing the program and other activities have been summarized on a functional basis in Note G. Certain of those expenses have been allocated among the program and supporting services based on estimates by management of the costs involved.

11. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (March 29, 2011).

12. Total Columns of Combined Statements

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE B – RECEIVABLES – GRANTS AND CONTRACTS

Grants and contracts receivable at December 31, 2010 consist of the following:

State of Louisiana – Department of Justice	\$ 13,253
Ascension Parish Government	2,250
Assumption Parish Police Jury	1,050
Terrebonne Parish Consolidated Government	6,432
East Baton Rouge Council on Aging, Inc.	<u>1,220</u>
	<u>\$ 24,205</u>

NOTE C – PROPERTY, BUILDINGS, AND EQUIPMENT

Property, buildings and equipment at December 31, 2010 consist of the following:

Buildings and improvements	\$ 532,250
Furniture and equipment	294,533
Library	<u>38,557</u>
	865,340
Less accumulated depreciation	<u>< 436,909 ></u>
	428,431
Land	<u>45,000</u>
	<u>\$ 473,431</u>

NOTE D – ACCRUED TAXES AND EXPENSES

Accrued taxes and expenses at December 31, 2010 consist of the following:

Accrued annual leave	\$ 58,550
Accrued liabilities	<u>8,221</u>
	<u>\$ 66,771</u>

NOTE E – NOTES PAYABLE

Notes payable at December 31, 2010 consist of the following:

Note payable to financial institution due in monthly payments of approximately \$3,187, including interest at 8.25% with a balloon payment due July, 2012. The note is secured by land and building located in Gonzales, LA.	\$ 303,348
Note payable to financial institution, a \$75,000 revolving line-of-credit, with an interest rate of 5.35%, due December 31, 2011. The note is secured by receivables.	75,000

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE E – NOTES PAYABLE - CONTINUED

Note payable to financial institution, a \$50,000 revolving line-of-credit, with an interest rate of 4.5%, due on demand. The note is secured by receivables.

23,025
401,373

Less current maturities of notes payable

< 111,368 >
\$ 290,005

The aggregate maturities of the notes payable are as follows:

Year ended
December 31

2011	\$ 111,368
2012	<u>290,005</u>
	<u>\$ 401,373</u>

The interest expense for the year ended December 31, 2010 totaled \$32,082.

NOTE F – COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, Capital Area Legal Services Corporation has two employee discrimination suits, a public records law breach, and an improper termination suit pending. Capital Area Legal Services Corporation believes that the various asserted claims and litigation outcomes will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claims or litigation.

Legal Services Corporation has elected to solicit proposals from interested parties to provide legal services to the twelve parishes Capital Area Legal Services Corporation presently services. While Capital Area Legal Services Corporation has responded to the recompetition, the final outcome will not be determined until June, 2011.

Capital Area Legal Services Corporation has operating lease arrangements for the rental of space for its operation in Baton Rouge and Houma, Louisiana. The operating lease for the corporation's Baton Rouge office expires on November 30, 2011, and the Houma office expires on December 31, 2013.

Year ending
December 31

2011	\$ 98,428
2012	18,000
2013	<u>18,000</u>
	<u>\$ 134,428</u>

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE F – COMMITMENTS AND CONTINGENCIES – CONTINUED

The rental expense charged to operations totaled \$102,646 for the year ended December 31, 2010.

The corporation leases two automobiles under operating leases expiring November 20, 2012 and June 24, 2013. The lease expense totaled \$10,745 for the year ended December 31, 2010.

Future minimum lease payments are as follows:

<u>Year ending</u> <u>December 31</u>	
2011	\$ 10,245
2012	10,245
2013	<u>7,623</u>
	<u>\$ 28,113</u>

NOTE G – NET ASSETS – TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes as of December 31, 2010:

Property and equipment - restricted	\$ 81,067
Louisiana Bar Foundation – CINC	62,617
Governor's Office of Elderly Affairs – EPS	<u>9,940</u>
	<u>\$ 153,624</u>

NOTE H – DEFERRED COMPENSATION PLAN

In 2002, the Corporation established a 401(k) plan (the "Plan") for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors; the Board of Directors has established a maximum 3% employer matching contribution rate. The Corporation's matching contributions to the Plan for the year ended December 31, 2010 totaled \$17,210.

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE I – FUNCTIONAL EXPENSES

The functional expenses for the year ended December 31, 2010 consist of the following:

	<u>Total</u>	<u>Legal Services for the poor</u>	<u>Elderly Protection Services</u>	<u>Management and general</u>
EXPENSES				
Personnel:				
Salaries – lawyers	767,508	\$ 658,769	\$ -	\$ 108,739
Salaries – non-lawyers	732,898	432,745	149,938	150,215
Fringe benefits	<u>242,834</u>	<u>169,366</u>	<u>22,143</u>	<u>51,325</u>
Total personnel expenses	1,743,240	1,260,880	172,081	310,279
Contract services	268,929	236,289	26,367	6,273
Travel and training	115,358	89,396	18,697	7,265
Space costs	169,548	159,180	10,368	-
Supplies	59,890	45,606	9,783	4,501
Equipment	60,525	57,664	2,703	158
Telephone	60,067	50,249	8,429	1,389
Insurance	33,169	31,248	1,921	-
Interest	32,082	32,082	-	-
Depreciation	19,419	19,419	-	-
Litigation	2,955	2,935	20	-
Other	<u>521,711</u>	<u>27,899</u>	<u>2,129</u>	<u>491,683</u>
Total expenses	<u>\$3,086,893</u>	<u>\$ 2,012,847</u>	<u>\$ 252,498</u>	<u>\$ 821,548</u>

NOTE J – INCOME TAXES

Capital Area Legal Services Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the corporation has been classified as an organization that is not a private foundation under Section 509(a)(2).

NOTE K - BOARD OF DIRECTORS COMPENSATION

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2010.

NOTE L – CONTRACT SERVICES

One of the general grant conditions of the Legal Services Corporation grant is that the recipient shall allocate a substantial amount of its annualized basic field grant award to provide the opportunity for the involvement of private attorneys in the delivery of legal assistance to eligible clients. A substantial amount has been defined as twelve and one-half percent (12 ½%) of the recipient's annualized basic field grant award. The corporation is in compliance with this grant condition.

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE M – SUBGRANT AGREEMENT – BATON ROUGE BAR FOUNDATION

The corporation entered in to a subgrant agreement with the Baton Rouge Bar Foundation to provide civil legal services to low-income persons eligible for representation by Capital Area Legal Services Corporation. The subgrant agreement, approved by Legal Services Corporation, totaled \$38,000 for the period January 1, 2010 through December 31, 2010. The expenditures were used to satisfy part of the private attorney involvement condition of the Legal Services Corporation basic field grant.

NOTE N – DEFICIENCY IN NET ASSETS

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the company as a going concern.

As of December 31, 2010, the Corporation has a deficiency in net assets of \$329,171. The deficiency is a direct result of the disallowed costs (\$487,620) determined by Legal Services Corporation for the period 2005-2009. The disallowed costs are included in "Other" in the statement of activities and accounts payable.

Management expects to increase its fund raising capability, and review operating costs for any potential reductions to assist in decreasing the deficiency in net assets.

NOTE O – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 820-10 requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value. Financial instruments within the scope of FASB ASC 820-10 are included in the table below.

<u>Fair Value Measurement of Reporting Date</u>				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 176,165	\$ 176,165	\$ -	\$ -
Receivables	31,602	31,602	-	-
Prepaid expenses	28,006	28,006	-	-
Accounts payable and accrued liabilities	< 83,840>	< 83,840>	-	-
Client court costs advanced	< 67,405>	< 67,405>	-	-
	<u>\$ 84,528</u>	<u>\$ 84,528</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE O – FAIR VALUE MEASUREMENT - CONTINUED

The assumptions to estimate fair values are as follows:

- I. The fair value of cash and cash equivalents, receivables, prepaid expenses, accounts payable, accrued liabilities, and client court costs advanced approximate book value at December 31, 2010 due to the short-term nature of these accounts.

SUPPLEMENTAL INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION

**STATEMENT OF ACTIVITIES
LEGAL SERVICES CORPORATION**

For the year ended December 31, 2010

	<u>BASIC FIELD</u>	<u>PRIVATE ATTORNEY INVOLVEMENT</u>	<u>TOTAL</u>
REVENUE			
Grant appropriation	\$ 1,427,625	\$ 203,946	\$ 1,631,571
Interest income	780	-	780
Other	<u>4,225</u>	<u>-</u>	<u>4,225</u>
Total revenues	<u>1,432,630</u>	<u>203,946</u>	<u>1,636,576</u>
EXPENSES			
Personnel:			
Salaries – lawyers	489,839	75	489,914
Salaries – non-lawyers	431,742	34,032	465,774
Fringe benefits	<u>161,796</u>	<u>3,869</u>	<u>165,665</u>
Total personnel expenses	1,083,377	37,976	1,121,353
Contract services	57,701	154,597	212,298
Travel and training	58,059	8,675	66,734
Space costs	86,514	-	86,514
Supplies	46,850	971	47,821
Equipment	42,667	393	43,060
Telephone	47,289	721	48,010
Insurance	19,725	-	19,725
Interest	4,989	-	4,989
Litigation	2,935	-	2,935
Other	<u>25,353</u>	<u>613</u>	<u>25,966</u>
Total expenses	<u>1,475,459</u>	<u>203,946</u>	<u>1,679,405</u>
Increase <decrease> in net assets	< 42,829>	\$ <u>-</u>	< 42,829>
Net assets, beginning of year	<u>42,829</u>		<u>42,829</u>
Net assets, end of year	<u>\$ -</u>		<u>\$ -</u>

CAPITAL AREA LEGAL SERVICES CORPORATION
STATEMENT OF ACTIVITIES
LOUISIANA BAR FOUNDATION – IOLTA PROGRAM

For the year ended December 31, 2010

REVENUE

Grant appropriation	\$ 192,000
Total revenue	<u>192,000</u>

EXPENSES

Personnel:	
Salaries – lawyers	134,838
Salaries – non-lawyers	34,596
Fringe benefits	<u>22,922</u>
Total personnel expenses	192,356

Contract services	1,120
Travel and training	3,132
Supplies	33
Other	<u>1,272</u>
Total expenses	<u>197,913</u>

Increase <decrease> in net assets	\$ <5,913>
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CAPITAL AREA LEGAL SERVICES CORPORATION

**STATEMENT OF ACTIVITIES
LOUISIANA BAR FOUNDATION – CINC PROGRAM**

For the year ended December 31, 2010

REVENUE

Grant appropriation	\$ 267,717
Total revenue	<u>267,717</u>

EXPENSES

Personnel:

Salaries – lawyers	122,835
Salaries – non-lawyers	28,250
Fringe benefits	<u>27,396</u>
Total personnel expenses	178,481

Contract services	1,289
Travel and training	17,412
Space costs	1,011
Supplies	1,912
Equipment	1,518
Telephone	1,412
Other	<u>2,065</u>
Total expenses	<u>205,100</u>

Increase <decrease> in net assets	<u>\$ 62,617</u>
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CAPITAL AREA LEGAL SERVICES CORPORATION

**STATEMENT OF ACTIVITIES
ELDERLY PROTECTION SERVICES**

For the year ended December 31, 2010

REVENUE

Grant appropriation	<u>\$ 262,438</u>
Total revenue	<u>262,438</u>

EXPENSES

Personnel:	
Salaries -- non-lawyers	149,938
Fringe benefits	<u>22,143</u>
Total personnel expenses	172,081
Contract services	26,367
Travel and training	18,697
Space costs	10,368
Supplies	9,783
Equipment	2,703
Telephone	8,429
Insurance	1,921
Litigation	20
Other	<u>2,129</u>
Total expenses	<u>252,498</u>

Increase <decrease> in net assets	<u>\$ 9,940</u>
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CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2010

	<u>FEDERAL PASS THROUGH CONTRACT NO.</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>	<u>SUBRECIPIENT COSTS</u>
LEGAL SERVICES CORPORATION				
Basic Field	-	09.619010	<u>\$ 1,679,405</u>	<u>\$ 38,000</u>
Total Legal Services Corporation			<u>\$ 1,679,405</u>	<u>\$ 38,000</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through St. Charles Council on Aging, Inc. Title III B Supportive Services	-	93.633	1,800	-
Passed through East Baton Rouge Council on Aging: Title III B Supportive Services	-	93.633	8,995	-
Passed through Capital Area Agency on Aging, Inc. Title III B Supportive Services	-	93.633	14,874	-
Passed through Terrebonne Council on Aging, Inc.: Title III B Supportive Services	-	93.633	5,602	-
Passed through St. John Council on Aging, Inc. Title III B Supportive Services	-	93.633	1,645	-
Passed through Lafourche Council on Aging, Inc.: Title III B Supportive Services	-	93.633	5,133	-
Passed through St. James Council on Aging, Inc. Title III B Supportive Services	-	93.633	<u>1,500</u>	<u>-</u>
Total U. S. Department of Health and Human Services			<u>39,549</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,718,954</u>	<u>\$ 38,000</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Presentation of Financial Statements

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

B. Contract Compliance – Legal Services Corporation

Legal Services Corporation requires that the corporation expend 12½% of their funding towards private attorney involvement. The contract compliance condition was satisfied for the year ended December 31, 2010.

Justin J. Scanlan, C.F.A., I.C.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE.

NEW ORLEANS, LOUISIANA 70122

TELEPHONE: (504) 288-0050

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Board of Directors
Capital Area Legal Services Corporation

We have audited the financial statements of Capital Area Legal Services Corporation (a non-profit corporation) as of and for the year December 31, 2010, and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Capital Area Legal Services Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Capital Area Legal Services Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting, listed as item 2010-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Area Legal Services Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
March 29, 2011

Justin J. Scanlan, C.M.A., F.I.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of Directors
Capital Area Legal Services Corporation

Compliance

We have audited Capital Area Legal Services Corporation's compliance with the types of compliance requirements described in the "OMB Circular A-133 Compliance Supplement" that could have a direct and material effect on each of Capital Area Legal Services Corporation's major federal programs for the year ended December 31, 2010. Capital Area Legal Services Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Capital Area Legal Services Corporation's management. Our responsibility is to express an opinion on Capital Area Legal Services Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Legal Services Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Capital Area Legal Services Corporation's compliance with those requirements.

In our opinion, Capital Area Legal Services Corporation's complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Capital Area Legal Services Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capital Area Legal Services Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Capital Area Legal Services Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Capital Area Legal Services Corporation's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Louisiana Legislative Auditor, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scambray, CPA, LLC

New Orleans, Louisiana
March 29, 2011

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued. Unqualified, with a going explanatory paragraph

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

CFDA Number(s)
09.619010

**Name of Federal
Program or Cluster**
Legal Services Corporation

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 2010

B. FINANCIAL STATEMENT FINDINGS

2010-1 Personal Use of Corporation Automobiles

Condition: System of accounting for the personal use of corporate automobiles did not exist for the year ended December 31, 2010.

Criteria: A system of accounting for personal use of the Corporation's automobiles should be in place to ensure that all personal use is reimbursed back to the Corporation.

Cause: Internal controls ensuring that all personal use of the Corporation's automobiles is properly accounting for are not effectively designed.

Effect: Because no system of accounting for personal use of the Corporation's automobiles exists, some personal use may be occurring and not being reimbursed back to the Corporation.

Recommendation: It is our recommendation that a system of providing a monthly accounting for personal use of the Corporation's automobiles be developed and implemented to ensure that the portion of use that is personal is properly reimbursed back to the Corporation.

Response: See Corrective Action Plan.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Legal Services Corporation

Basic Field Grant, #CFDA No. 09-619010, for the year ended December 31, 2010

2010-1 Personal Use of Corporation Automobiles

Condition: System of accounting for the personal use of corporate automobiles did not exist for the year ended December 31, 2010.

Criteria: A system of accounting for personal use of the Corporation's automobiles should be in place to ensure that all personal use is reimbursed back to the Corporation.

Cause: Internal controls ensuring that all personal use of the Corporation's automobiles is properly accounting for are not effectively designed.

Effect: Because no system of accounting for personal use of the Corporation's automobiles exists, some personal use may be occurring and not being reimbursed back to the Corporation.

Recommendation: It is our recommendation that a system of providing a monthly accounting for personal use of the Corporation's automobiles be developed and implemented to ensure that the portion of use that is personal is properly reimbursed back to the Corporation.

Response: See Corrective Action Plan.

CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 2010

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

	<u>SIGNIFICANT DEFICIENCIES</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Finding No.</u>
2009-1	Personal Use of Corporation's Automobiles		X	2010-1
2009-3	Case files – eligibility	X		
2009-4	Case files – income determination	X		

LSG-OIG REPORT DATED 9/27/2010

1.	Cost allocation system	X		Note A
2.	Rental of office space – Gonzales building	X		Note B
3.	Auto repair reimbursement	X		Note C
4.	Fringe benefits – personal use of auto		X	2010-1
5.	Account classification and description	X		Note B
6.	Meals and entertainment expense	X		Note C
7.	Leased vehicles and gasoline expense	X		Note B
8.	Travel and other expenses	X		Note D
9.	Consultant contract expense	X		Note B
10.	Client trust fund interest	X		Note E
11.	Dormant accounts		X	Note F
12.	Questioned costs	X		Note G

Notes to LSC-OIG Report

- A. The board of directors adopted an accounting manual in 2011 that addresses the allocation of costs.
- B. Costs were charged to non-LSC funds for the year ended December 31, 2010.
- C. No costs noted for the year ended December 31, 2010.
- D. Costs appear to be properly documented for the year ended December 31, 2010.
- E. The client trust funds advanced are in agreement with the respective cash accounts at December 31, 2010.
- F. The corporation is of the opinion that the dormant client trust funds should not be subject to the State of Louisiana escheat laws.
- G. On March 23, 2011, the Legal Services Corporation has disallowed \$487,620 of costs. The disallowance of costs is a final determination by Legal Services Corporation.

CORRECTIVE ACTION PLAN

CALSC Responses to 2010 Audit Findings:

1.) Finding 2010-1 - Personal use of Corporation's person vehicles

Response: All vehicle users now maintain a trip log documenting business use of all vehicles. CALSC now has a new Vehicle Use Policy covering the use of company vehicles.

2.) Fringe Benefit - personal use of auto

Response: Currently no CALSC vehicle is being used for personal use. CALSC now has a new Vehicle Use Policy which requires employees to reimburse CALSC the prevailing state rate for mileage for any personal use of corporate vehicles. Any non-reimbursed use of the vehicles will be reported as a fringe benefit on the employee's W-2 form.

3) Dormant Accounts

Response. CALSC regularly reviews Client Trust Accounts. However, the practice of law in Louisiana is governed by the Louisiana Supreme Court. CALSC, when accepting Client Trust Funds, is duty bound by State Law to protect and preserve these funds. Therefore, CALSC is of the opinion that dormant clients trust funds should not be subject to the State of Louisiana Escheat Laws. CALSC will seek an opinion on this matter from the Louisiana Supreme Court and the Louisiana Bar Foundation.